

105TH CONGRESS
1ST SESSION

H. R. 1129

To establish a program to provide assistance for programs of credit and other assistance for microenterprises in developing countries, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1997

Mr. HOUGHTON (for himself, Mr. HALL of Ohio, Mr. DAN SCHAEFER of Colorado, Mr. TORRES, Mr. GREENWOOD, Mr. FILNER, Mr. WALSH, Mr. ABERCROMBIE, Mr. HULSHOF, Mr. ANDREWS, Mr. BOEHLERT, Mr. MEEHAN, Mrs. MORELLA, Mr. MORAN of Virginia, Mr. PAYNE, Mr. BLUMENAUER, Mr. DELLUMS, Ms. RIVERS, Mr. BROWN of Ohio, Mrs. CLAYTON, Mr. BARRETT of Wisconsin, Mr. VENTO, Mr. LaFALCE, Mrs. TAUSCHER, Mr. LEVIN, and Mr. McDERMOTT) introduced the following bill; which was referred to the Committee on International Relations

A BILL

To establish a program to provide assistance for programs of credit and other assistance for microenterprises in developing countries, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Microcredit for Self-
5 Reliance Act of 1997”.

1 **SEC. 2. FINDINGS AND DECLARATIONS OF POLICY.**

2 The Congress makes the following findings and dec-
3 larations:

4 (1) More than 1,000,000,000 people in the de-
5 veloping world are living in severe poverty.

6 (2) According to the United Nations Children's
7 Fund (UNICEF), mortality for children under the
8 age of 5 averages 100 child deaths per thousand for
9 all developing countries, with nearly double that rate
10 in the poorest countries.

11 (3) Nearly 35,000 children die each day from
12 largely preventable malnutrition and disease.

13 (4)(A) Women in poverty generally have larger
14 work loads, and less access to educational and eco-
15 nomic opportunities than their male counterparts.

16 (B) Directly aiding the poorest of the poor, es-
17 pecially women, in the developing world has a posi-
18 tive effect not only on family incomes, but also on
19 child nutrition, health and education, as women in
20 particular reinvest income in their families.

21 (5)(A) The poor in the developing world, par-
22 ticularly women, generally lack stable employment
23 and social safety nets.

24 (B) Many turn to self-employment to generate
25 a substantial portion of their livelihood.

1 (C) These poor entrepreneurs are often trapped
2 in poverty because they cannot obtain credit at rea-
3 sonable rates to build their asset base or expand
4 their otherwise viable self-employment activities.

5 (D) Many of the poor are forced to pay interest
6 rates as high as 10 percent per day to money lend-
7 ers.

8 (6)(A) On February 2–4, 1997, a global micro-
9 credit summit was held in Washington, District of
10 Columbia, to launch a plan to expand access to cred-
11 it for self-employment and other financial and busi-
12 ness services to 100,000,000 of the world’s poorest
13 families, especially the women of those families, by
14 2005.

15 (B) With five to a family, achieving this goal
16 will mean that the benefits of microcredit will there-
17 by reach nearly half of the world’s more than
18 1,000,000,000 absolute poor.

19 (7)(A) The poor are able to expand their in-
20 comes and their businesses dramatically when they
21 can access loans at reasonable interest rates.

22 (B) Through the development of self-sustaining
23 microcredit programs, poor people themselves can
24 lead the fight against hunger and poverty.

1 (8)(A) Nongovernmental organizations such as
2 the Grameen Bank, Accion International, and the
3 Foundation for International Community Assistance
4 (FINCA) have been successful in lending directly to
5 the very poor.

6 (B) These institutions generate repayment rates
7 averaging 95 percent or higher, demonstrating the
8 bankability of the poorest.

9 (C) International organizations such as the
10 International Foundation for Agricultural Develop-
11 ment (IFAD) and the United Nations Development
12 Program (UNDP) have demonstrated success in
13 supporting microcredit programs.

14 (9)(A) Microcredit institutions not only reduce
15 poverty, but also reduce the dependency on foreign
16 assistance.

17 (B) Interest income on a credit portfolio can be
18 used to pay recurring institutional costs, assuring
19 the long-term sustainability of development assist-
20 ance.

21 (10) Microcredit institutions leverage foreign
22 assistance resources because loans are recycled, gen-
23 erating new benefits to program participants.

24 (11) The development of sustainable micro-
25 credit institutions which provide credit and training,

1 and mobilize domestic savings, are critical compo-
2 nents to a global strategy of poverty reduction and
3 broad based economic development.

4 (12)(A) In 1994, the United States Agency for
5 International Development launched a microenter-
6 prise initiative in partnership with the Congress.

7 (B) The initiative committed to expanding
8 funding for the microenterprise programs of the
9 Agency, and set a goal that, by the end of fiscal year
10 1996, half of all microenterprise resources would
11 support programs and institutions providing credit
12 to the poorest, with loans under \$300.

13 (C) In order to achieve the goal of the micro-
14 credit summit, increased investment in microcredit
15 institutions serving the poorest will be critical.

16 (13) Providing the United States share of the
17 global investment needed to achieve the goal of the
18 microcredit summit will require only a small increase
19 in United States funding for international micro-
20 credit programs, with an increased focus on institu-
21 tions serving the poorest.

22 (14)(A) In order to reach tens of millions of the
23 poorest with microcredit, it is crucial to expand and
24 replicate successful microcredit institutions.

1 (B) These institutions need assistance in devel-
2 oping their institutional capacity to expand their
3 services and tap commercial sources of capital.

4 (15) Nongovernmental organizations have dem-
5 onstrated competence in developing networks of local
6 microcredit institutions so that they reach large
7 numbers of the very poor, and achieve financial sus-
8 tainability.

9 (16) Recognizing that the United States Agency
10 for International Development has developed very ef-
11 fective partnerships with nongovernmental organiza-
12 tions, and that the Agency will have fewer missions
13 to carry out its work, the Agency should place prior-
14 ity on investing in these nongovernmental network
15 institutions through the central funding mechanisms
16 of the Agency.

17 (17) By expanding and replicating successful
18 microcredit institutions, it should be possible to cre-
19 ate a global infrastructure to provide financial serv-
20 ices to the world's poorest families.

21 (18)(A) The United States Agency for Inter-
22 national Development can provide leadership to
23 other bilateral and multilateral development agencies
24 as such agencies expand their support to the micro-
25 enterprise sector.

1 (B) The United States Agency for International
2 Development should seek to improve coordination of
3 donor efforts at the operational level to promote the
4 use of best practices in the provision of financial
5 services to the poor and to ensure that adequate in-
6 stitutional capacity is developed.

7 (19) Through expanded support for microcredit,
8 especially credit for the poorest, the United States
9 Agency for International Development can continue
10 to play a leadership role in the global effort to ex-
11 pand financial services and opportunity to
12 100,000,000 of the poorest families on the planet.

13 **SEC. 3. MICROENTERPRISE DEVELOPMENT ASSISTANCE.**

14 (a) PURPOSES.—The purposes of this section are—

15 (1) to provide for the continuation and expan-
16 sion of the commitment of the United States Agency
17 for International Development to the development of
18 microenterprise institutions;

19 (2) to make microenterprise development the
20 centerpiece of the overall economic growth strategy
21 of the United States Agency for International Devel-
22 opment;

23 (3) to support and develop the capacity of Unit-
24 ed States and indigenous nongovernmental organiza-

1 tion intermediaries to provide credit, savings, and
2 training services to microentrepreneurs;

3 (4) to increase the amount of assistance de-
4 voted to credit activities designed to reach the poor-
5 est sector in developing countries, and to improve
6 the access of the poorest, particularly women, to
7 microenterprise credit in developing countries; and

8 (5) to encourage the United States Agency for
9 International Development to provide global leader-
10 ship in promoting microenterprise for the poorest
11 among bilateral and multilateral donors.

12 (b) AUTHORIZATION.—(1) The President, acting
13 through the Administrator of the United States Agency
14 for International Development, is authorized to provide as-
15 sistance for programs of credit and other assistance for
16 microenterprises in developing countries.

17 (2) Microenterprise credit and related activities as-
18 sisted under this section shall be carried out primarily
19 through United States and indigenous nongovernmental
20 organizations and United States and indigenous credit
21 unions, cooperative organizations, and other private finan-
22 cial intermediaries, that have the capacity to develop and
23 to implement microenterprise programs, and that are ori-
24 ented toward working directly with the poor, especially
25 women.

1 (c) ELIGIBILITY CRITERIA.—The Administrator of
2 the United States Agency for International Development
3 shall establish criteria for determining which entities de-
4 scribed in subsection (b)(2) are eligible to carry out activi-
5 ties assisted under this section. Such criteria shall include
6 the following:

7 (1) The extent to which the recipients of credit
8 from the entity do not have access to the local for-
9 mal financial sector.

10 (2) The extent to which the recipients of credit
11 from the entity are among the poorest people in the
12 country.

13 (3) The extent to which the entity is oriented
14 toward working directly with poor women.

15 (4) The extent to which the entity recovers its
16 cost of lending to the poor.

17 (5) The extent to which the entity implements
18 a plan to become financially sustainable.

19 (d) FUNDING LEVELS FOR FISCAL YEARS 1998 AND
20 1999.—

21 (1) IN GENERAL.—Of the amounts made avail-
22 able to carry out chapter 1 of part I of the Foreign
23 Assistance Act of 1961 (22 U.S.C. 2151 et seq.)—

1 (A) not less than \$170,000,000 for fiscal
2 year 1998 shall be made available for assistance
3 under this section; and

4 (B) not less than \$180,000,000 for fiscal
5 year 1999 shall be made available for assistance
6 under this section.

7 (2) ADDITIONAL REQUIREMENTS.—(A) Of the
8 amounts made available under each of subpara-
9 graphs (A) and (B) of paragraph (1) for fiscal years
10 1998 and 1999, not less than \$85,000,000 for fiscal
11 year 1998 and not less than \$90,000,000 for fiscal
12 year 1999 shall be used to support poverty lending
13 as defined in paragraph (3).

14 (B) Of the amounts made available under each
15 of subparagraphs (A) and (B) of paragraph (1) for
16 fiscal years 1998 and 1999, not less than
17 \$50,000,000 of such amounts for each such fiscal
18 year shall be provided through the central mecha-
19 nisms of the United States Agency for International
20 Development for support of United States and indig-
21 enous nongovernmental organizations.

22 (3) DEFINITIONS.—(A) For purposes of this
23 subsection, the term “to support poverty lending”
24 means—

1 (i) funds lent to members of the poverty
2 target population (as defined in subparagraph
3 (B)) within low-income countries in amounts
4 equivalent to \$300 or less in 1997 United
5 States dollars; and

6 (ii) funds used for institutional develop-
7 ment of an entity described in subsection
8 (b)(2), which is engaged in making loans of
9 \$300 or less in 1997 United States dollars to
10 members of the poverty target population (as
11 defined in subparagraph (B)) or the portion of
12 a mixed program which makes such loans.

13 (B) The term “poverty target population”
14 means the poorest 50 percent of those individuals
15 living below the poverty line, defined by the national
16 government of the foreign country.

17 **SEC. 4. PROGRAM PERFORMANCE CRITERIA.**

18 (a) STRENGTHENING OF APPROPRIATE MECHA-
19 NISMS.—The Administrator of the United States Agency
20 for International Development shall strengthen appro-
21 priate mechanisms, including mechanisms for central
22 microenterprise programs, for the purpose of strengthen-
23 ing the institutional development of the entities described
24 in section 3(b)(2).

1 (b) MONITORING SYSTEM.—In order to maximize the
2 sustainable development impact of the assistance author-
3 ized under section 3, the Administrator of the United
4 States Agency for International Development shall estab-
5 lish a monitoring system that—

6 (1) establishes performance goals for such as-
7 sistance and expresses such goals in an objective and
8 quantifiable form;

9 (2) establishes performance systems or indica-
10 tors to measure the extent to which projects are
11 achieving such goals; and

12 (3) provides a basis for recommendations for
13 adjustments to such assistance to enhance the sus-
14 tainable development impact of such assistance on
15 the very poor, particularly women.

16 (c) ADDITIONAL MONITORING REQUIREMENTS.—As
17 a part of the monitoring system established under sub-
18 section (b), the Administrator of the United States Agency
19 for International Development—

20 (1) using data provided by lending institutions,
21 shall monitor the actual amount of microenterprise
22 credit and number of loans made available to the
23 poverty target population as a result of each project
24 or program carried out pursuant to this Act;

1 (2) using data provided by lending institutions,
 2 shall monitor the amount of funding provided pursu-
 3 ant to this Act which is allocated to organizations
 4 engaged in making loans of under \$300 to the pov-
 5 erty target population, or to the poverty lending por-
 6 tion of mixed programs;

7 (3) shall report annually on the compliance of
 8 United States Agency for International Development
 9 missions with the microenterprise initiative described
 10 in section 2(12); and

11 (4) shall include a summary of the information
 12 collected under paragraphs (1) and (2) in the annual
 13 congressional presentation document of the United
 14 States Agency for International Development to the
 15 Congress.

16 **SEC. 5. CONTRIBUTIONS TO THE INTERNATIONAL FUND**
 17 **FOR AGRICULTURAL DEVELOPMENT.**

18 (a) FINDINGS.—The Congress finds the following:

19 (1)(A) The International Fund for Agricultural
 20 Development (“IFAD”) has as its mission serving
 21 the poorest of the poor in rural areas.

22 (B) IFAD has had two decades of experience in
 23 assisting the economic development of the rural
 24 poor.

1 (2) IFAD has been a significant supporter of
2 microenterprise and other microfinance activities for
3 the rural poor almost since its inception and it was
4 the first international institution to assist the
5 Grameen Bank.

6 (3) IFAD can make a significant contribution
7 to developing a global network of sustainable micro-
8 enterprise and other microfinance institutions which
9 serve the very poor through support for nongovern-
10 mental organizations and other community based
11 microcredit institutions.

12 (b) UNITED STATES CONTRIBUTIONS TO IFAD.—

13 (1) IN GENERAL.—(A) There are authorized to
14 be appropriated \$20,000,000 for each of the fiscal
15 years 1998 and 1999 for United States contribu-
16 tions to the International Fund for Agricultural De-
17 velopment for the purpose of establishing and carry-
18 ing out a special initiative to provide grants to non-
19 governmental organizations and other private com-
20 munity-based microenterprise institutions serving
21 the very poor, especially women.

22 (B) Funds authorized to be appropriated under
23 subparagraph (A) are in addition to amounts other-
24 wise available for such purposes.

1 (2) ADDITIONAL REQUIREMENTS.—(A)

2 Amounts contributed to IFAD under paragraph (1)

3 shall be available only for the following:

4 (i) Loans to members of the poverty target
5 population (as defined in section 3(d)(3)(B))
6 within low-income countries in amounts equiva-
7 lent to \$300 or less in 1997 United States Dol-
8 lars.

9 (ii) The institutional development of finan-
10 cial intermediaries that primarily or exclusively
11 make loans to members of the poverty target
12 population (as defined in section 3(d)(3)(B)) in
13 amounts equivalent to \$300 or less in 1997
14 United States Dollars, or for training of such
15 borrowers.

16 (B) Microenterprise credit and related activities
17 assisted under this section shall be carried out pri-
18 marily through nongovernmental organizations, cred-
19 it unions, cooperative organizations, and other pri-
20 vate financial intermediaries, that have the capacity
21 to develop and to implement microenterprise pro-
22 grams, and that are oriented toward working di-
23 rectly with the poor and women.

24 (c) OTHER CONTRIBUTIONS TO IFAD.—The Presi-
25 dent shall urge other donor nations to the International

1 Fund for Agricultural Development to support and con-
2 tribute to the microenterprise and microfinance activities
3 of the Fund (as described in subsection (b)).

4 **SEC. 6. UNITED NATIONS DEVELOPMENT PROGRAM'S**
5 **MICROSTART PROGRAM.**

6 It is the sense of the Congress that—

- 7 (1) the Microstart Program established by the
8 United Nations Development Program (UNDP) rep-
9 resents an important new initiative; and
10 (2) the President should instruct the United
11 States representative to the United Nations to use
12 the voice and vote of the United States to support
13 the Microstart Program of the United Nations De-
14 velopment Program.

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